

Message Text

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TO AMCONSUL HONG KONG

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FOLLOWING REPEAT STATE 219973 SENT ALL DIPLOMATIC POSTS
DATED OCTOBER 4.

QUOTE

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: TRADE BILL - PROVISIONS ON GENERALIZED TARIFF

PREFERENCES (GSP)

REF: STATE A-8452, OCTOBER 9, 1973

1. THE SENATE FINANCE COMMITTEE HAS TENTATIVELY AGREED
TO AUTHORIZE THE PRESIDENT TO EXTEND TARIFF PREFERENCES
TO A BROAD RANGE OF GOODS, MAINLY MANUFACTURES AND SEMI-
MANUFACTURES, IMPORTED FROM DEVELOPING COUNTRIES. THE
EXACT LANGUAGE OF PROVISIONS IS STILL BEING CONSIDERED
BY SENATE FINANCE COMMITTEE. BILL MAY BE FURTHER
MODIFIED EITHER IN COMMITTEE, DURING SENATE FLOOR ACTION OR
IN CONFERENCE. SIGNIFICANT CHANGES FROM THE HOUSE VERSION
OF THE BILL (REFAIR) ARE SUMMARIZED BELOW:

BENEFICIARY COUNTRIES

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THE COMMITTEE AGREED TO EXCLUDE THE FOLLOWING CATEGORIES OF COUNTRIES FROM BENEFICIARY STATUS:

A) ALL COMMUNIST COUNTRIES;

B) MEMBER COUNTRIES OF OPEC;

C) ANY COUNTRY WHICH HAS ENTERED INTO A CARTEL-TYPE

ARRANGEMENT, THE EFFECT OF WHICH IS TO WITHHOLD SUPPLIES OF VITAL MATERIALS OR TO RAISE THE PRICE OF SUCH COMMODITIES TO AN UNREASONABLE LEVEL WHICH CAUSES SERIOUS DISRUPTION IN THE WORLD ECONOMY;

D) ANY COUNTRY WHICH HAS EXPROPRIATED THE PROPERTY OF A U.S. NATIONAL WITHOUT PROVISION FOR PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION AND WITHOUT SUBMITTING THE DISPUTE TO ARBITRATION OR CARRYING ON GOOD-FAITH NEGOTIATIONS (CONGRESS WOULD BE PERMITTED ON ITS OWN INITIATIVE TO DESIGNATE COUNTRIES AS BEING IN THIS CATEGORY OF INELIGIBILITY); AND

E) ANY COUNTRY WHICH HAS NOT TAKEN ADEQUATE STEPS TO PREVENT NARCOTICS AND OTHER CONTROLLED SUBSTANCES FROM UNLAWFULLY ENTERING THE UNITED STATES.

BEFORE TERMINATING THE BENEFICIARY STATUS OF ANY DEVELOPING COUNTRY, THE PRESIDENT WOULD HAVE TO NOTIFY CONGRESS AND THE COUNTRY INVOLVED 60 DAYS PRIOR TO TERMINATION.

SENSITIVE PRODUCTS

TEXTILE AND FOOTWEAR IMPORTS WOULD BE SPECIFICALLY EXCLUDED FROM GSP. THE TARIFF COMMISSION WOULD BE AUTHORIZED TO DESIGNATE ANNUALLY FURTHER PRODUCTS AS SENSITIVE AND THUS INELIGIBLE FOR GSP.

RULES OF ORIGIN

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MEMBER COUNTRIES OF FREE TRADE AREAS OR CUSTOMS UNIONS COULD BE AGGREGATED FOR PURPOSES OF THE RULES OF ORIGIN. HOWEVER, IN ANY CASE WHERE MORE THAN ONE BENEFICIARY COUNTRY CONTRIBUTES TO THE VALUE OF THE PRODUCT, THE FIXED PERCENTAGE (VALUE ADDED) REQUIREMENT WOULD BE 50 PERCENT. IN CASES WHERE ONLY ONE BENEFICIARY COUNTRY CONTRIBUTES TO THE VALUE OF THE PRODUCT THE PERCENTAGE REQUIREMENT WOULD BE 35. THIS ELIMINATES

TREASURY DISCRETION, CONTAINED IN HOUSE VERSION, TO
SET PERCENTAGE BETWEEN 35 AND 50 PERCENT.

COMPETITIVE NEED CEILINGS

THE 50 PERCENT (OF TOTAL U.S. IMPORTS) CEILING WOULD NOT
BE APPLIED TO ANY ELIGIBLE ARTICLE IF A LIKE OR DIRECTLY
COMPETITIVE ARTICLE IS NOT PRODUCED IN THE UNITED STATES.

WHAT IS NOW THE 25 MILLION DOLLAR CEILING WOULD EACH
YEAR BE THE AMOUNT WHICH BEARS THE SAME RATIO TO 25 MILLION
DOLLARS AS THE GNP OF THE U.S. FOR THE PREVIOUS YEAR
BEARS TO THE GNP OF THE U.S. FOR 1974. IN OTHER
WORDS, THE CEILING WOULD INCREASE IN DOLLAR VALUE AT
THE SAME PERCENTAGE RATE AS GNP, THUS TAKING INTO
ACCOUNT BOTH PRICE INCREASES AND REAL GROWTH IN THE
U.S. ECONOMY.

2. WE ARE CONCERNED THAT RESTRICTIVE AMENDMENTS ON
BENEFICIARY COUNTRIES WILL COMPROMISE GENERALIZED
CHARACTER OF GSP AND REMOVE ELEMENT OF U.S. FLEXIBILITY
IN DEALING WITH EXCLUDED COUNTRIES. WE WILL SEEK
TO HAVE AMENDMENTS DELETED OR MODIFIED TO GIVE
ADMINISTRATION SOME FLEXIBILITY IN APPLICATION, BUT
WE ANTICIPATE DIFFICULTY.

3. ADDRESSEES SHOULD USE ABOVE ONLY ON IF ASKED BASIS.
FOREIGN GOVERNMENT LOBBYING ON THESE AMENDMENTS WOULD
NOT BE PRODUCTIVE AND WE DO NOT WISH TO ENCOURAGE IT. KISS NGER
UNQUOTE INGERSOLL

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